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FIRST COUNTRY COOPERATION FRAMEWORK FOR KAZAKSTAN

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 2	2
I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE	3 - 7	2
II. RESULTS AND LESSONS OF PAST COOPERATION	8 - 9	3
III. PROPOSED STRATEGY AND THEMATIC AREAS	10 - 19	4
A. Governance and economic management	14 - 15	5
B. Social development and poverty alleviation	16 - 17	5
C. Environmental management and sustainable development	18 - 19	6
IV. MANAGEMENT ARRANGEMENTS	20 - 25	7
Annex. Resource mobilization target table for Kazakstan (1997-1999)		9

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INTRODUCTION

1. The present country cooperation framework (CCF), which covers the period 1997-1999, supersedes the short-term country framework which has guided technical assistance cooperation between the Government and UNDP since May 1994. The first CCF is the result of several stages of consultation, particularly with respect to the strategic role and comparative advantages of UNDP. The UNDP advisory note, which was the subject of review by UNDP local and headquarters Programme Advisory Committees as well as the UNDP Programme Management Oversight Committee, and subsequently, the present document, also benefited from observations and analyses in the 1995 and 1996 national human development reports.

2. Based on performance assessments of project activities in the previous framework and consultations with United Nations organizations and agencies and other donors, the Government and UNDP reached agreement on the priority themes and programme components of their cooperation. In addition, the Government recently approached UNDP with the suggestion that United Nations agencies prepare a joint strategic framework for their programmes. This suggestion was received positively by the other United Nations agencies, and the current plan is to begin working towards a draft country strategy note at the end of 1996.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. Since its independence in December 1991, Kazakstan has been undergoing a three-dimensional transition, from a totalitarian political regime to a society based on democratic principles, from an internal republic of the former Soviet Union to independent statehood, and from a command- to a market-based economy. To complete the transition as quickly as possible, the Government has undertaken an accelerated programme of social, economic, political and legal reforms and, as of 1996, is in the process of achieving macroeconomic stability.

4. The process of reform, however, has not been smooth or painless. In Kazakstan, economic transition has manifested itself as a severe economic shock and has affected growth, employment and income distribution, triggering an increase in poverty. According to the 1996 national human development report, the gross domestic product in 1995 was only 43.5 per cent of its 1990 level, and life expectancy in the same period had fallen from 68.6 to 66.1 years. Thus, Kazakstan has moved down in rank, from fifty-third in 1992 to seventy-second in 1995, on the global human development index scale. Despite the fact that Government is in the process of achieving macroeconomic stability, the decline in social indicators in the country continues. For example, in addition to declining real wages in the economy, enterprise restructuring and reduction of state subsidies are leading to higher levels of unemployment, even without taking into account hidden and underemployment. Although there are no undisputed sources or data on the subject of poverty and its measurement and while the Government is working on its definition of poverty and criteria for poverty measurement, it is clear that there has been a sharp increase in the level of poverty, which was estimated in the last national human development

report to affect one third of the population. Reduced social services and a weaker social safety net have led to increased hardships for the most vulnerable groups.

5. As a young republic, Kazakstan is still in the process of creating and/or improving its structure of governance, since the different branches of the State must now play completely different roles today than they did when the country was part of the former Soviet Union. At present, the relationship between the executive, legislative and judiciary branches is being refined, the role and structure of the Government is being re-defined, and civil servants are being retrained.

6. Under past policies and management practices, Kazakstan has exploited its rich natural resources in an unsustainable way, which has led to grave ecological problems, particularly in the Aral Sea basin. The resulting environmental degradation has also caused many additional health problems, solutions for which must be fully integrated into plans for environmental protection and regeneration.

7. Looking ahead to the next stage of transition, the Government gives highest priority to social and economic stability, resumption of growth in the gross national product (GNP) and the eradication of poverty. Women and children have been hardest hit during the transition. Unemployment, in particular, appears to be gender-skewed: women currently account for two thirds of the hidden unemployed. Access to medical services have become limited, especially in rural areas, leading to an increase in maternal and infant mortality rates.

II. RESULTS AND LESSONS FROM PAST COOPERATION

8. The priority areas set out in the 1994 short-term country cooperation framework were: capacity-building; sustainable industrial development; the creation of a strong social system; and the restoration and re-establishment of a sustainable environment. UNDP grant technical assistance for the period 1994-1996 amounted to approximately $2.5 million. For the most part, UNDP activities began on a preparatory assistance basis, resulting in a portfolio of projects responding to a wide range of short-term needs. Examples of successful cooperation include:

(a) In the Aral Sea region, support for the establishment of centres to build the capacities of local authorities and non-governmental organizations (NGOs), as well as to facilitate assistance from other donors;

(b) In the area of privatization and macroeconomic policies, support for the formulation of country-specific strategies;

(c) In the area of nutrition, along with the United Nations Children's Fund (UNICEF) and the World Health Organization, support for the formulation of a draft national nutrition policy and the establishment of an intersectoral committee on policy implementation;

(d) In the area of aid coordination, in conjunction with support from the World Bank in the early stages, support for the Committee for Utilization of Foreign Capital, which has significantly improved aid coordination skills, enabling the Government to launch a donor consultation process.

9. The Government and UNDP agree that cooperation could be strengthened by a sharper concentration of projects activities and a more effective use of the programme approach. In addition, in Kazakstan, the level of skills and capabilities of personnel in the Government and other institutions is considerable. Consequently, most UNDP projects have been executed by national entities, and it has been agreed that this modality should continue to be used. However, efforts will be made to ensure that the executing agents selected develop the necessary capacities and systems to ensure the long-term sustainability and effectiveness of the modality. United Nations specialized agencies and other resources and expertise will be drawn upon, as appropriate.

III. PROPOSED STRATEGY AND THEMATIC AREAS

10. As discussed above, equitable social and economic development and long-term social and economic stability are a national priority. In this context, it has been agreed that the overall objective of development cooperation between the Government and UNDP in the near to medium term will be to help to accelerate economic transition, while at the same time promoting equitable social development.

11. UNDP development cooperation will focus on three thematic areas: (a) governance and economic management; (b) social development and poverty alleviation; and (c) environmental management and sustainable development. Capacity-building and the advancement of women will be cross-cutting elements of all programme activities.

12. In the interest of Kazakstan's long-term, sustainable and human-centred growth, in order to harmonize all donor assistance, including from the United Nations system and from other donors, the Government has requested that UNDP strengthen its role as facilitator in the coordination of development cooperation. Reflecting its areas of comparative advantage, support from UNDP in the selected thematic areas of concentration will focus on policy advice, capacity-building, rapid-impact actions for development at the grass-roots level, and assistance in the coordination of development cooperation.

13. The use of the programme approach will maximize impact. It is also considered to be essential that UNDP inputs reinforce the Government's own commitments and inputs, and are co-financed by and well-coordinated with assistance from other donors. As a result, special priority will be given to programmes in areas where extensive cooperation with other donors can create a synergistic effect, such as in the Aral Sea basin programme, where a number of donors such as UNICEF, the World Bank, the Governments of the Netherlands and Israel and others are active, or in specific governance initiatives, where, for example, the European Union is already making an impact. Sectors where other

donors have a predominant position are not included in the present framework. For example, in the education and agriculture sectors, the World Bank and the Asian Development Bank are making large sectoral loans, with considerable technical assistance components.

A. Governance and economic management

14. The Government's goals are to strengthen its reforms; accelerate the transition to a market-based economy; achieve economic recovery; and develop its economy for the next century. At the same time, the Government is also striving to develop a democratic system of governance that facilitates social and economic development in every sector of society, and enhances the role of women in that process.

15. Drawing on its access to international experiences in reform and economic transition, selected upstream interventions from UNDP in the areas of policy advice, high-level strategic support and aid coordination are expected to have a catalytic effect on the broader process of economic recovery and social development. More specifically, UNDP will cooperate with the Government in the following areas:

(a) Strategic planning and policies, to help strengthen the Government's capacity in medium- and long-term development planning and in preparing long-term strategic plans;

(b) Public administration reform, to help strengthen the effectiveness of governance, addressing issues of capacity-building and policy formulation;

(c) Aid coordination, to help strengthen the Government's capacity and processes in aid coordination and management, to enhance the effectiveness of development cooperation;

(d) Foreign investment promotion, to help improve the enabling environment for direct foreign investment, including the capacity of key institutions in this regard;

(e) External economic cooperation, to help strengthen economic links with neighbouring countries, to increase international trade, and to support institutional arrangements to strengthen international as well as regional cooperation.

D. Social development and poverty alleviation

16. The economic transition has both caused and exacerbated social insecurities for several vulnerable groups, such as the unemployed, people with low-incomes, women, inhabitants of ecologically damaged regions and people affected by occupational hazards. In the shorter term, the most urgent needs are for social safety nets, policy reform and programmes targeting the most vulnerable and affected groups. In the medium to longer term, the Government wishes to achieve

growth with equity through programmes and policies that address the needs of disadvantaged non-participants in the recovery process.

17. The maximum impact and leverage from UNDP cooperation will be achieved through both up- and downstream interventions, such as the facilitation of catalytic macro-policy interventions, strengthening the effectiveness of important government and civil society institutions, and promotion of self-reliance in local communities, all of which will ensure the sustainability of development efforts. More specifically, UNDP will cooperate with the Government in the following areas:

(a) Poverty alleviation and social development, whereby UNDP will support the Government in its efforts to formulate national policies, strategies and programmes. In the near term, the Government has requested that UNDP assist in the development of poverty alleviation and sustainable social and economic development programmes for the next stage of transition;

(b) Sustainable livelihoods, whereby UNDP will assist in the design and implementation of programmes to support the promotion of sustainable livelihoods in targeted oblasts and areas with the greatest need for human development, as well as areas affected by environmental problems. This may include programmes for employment promotion and income generation through development of micro-, small- and medium-scale enterprises. In addition, UNDP support has been requested in the area of food security, with special consideration given to vulnerable groups and women. Specific interventions will also be made to strengthen women's NGOs and other local community groups working for the advancement of women;

(c) Human rights and civil society, whereby UNDP will help to strengthen the capacity of certain civil society and government institutions in improving awareness for human-centred, participatory and sustainable social development.

C. Environmental management and sustainable development

18. Among the critical problems affecting the population and future sustainable growth are: the recession of the Aral Sea and the flooding of the Caspian Sea; shortages of safe drinking water; unsustainable agricultural practices; unsustainable exploitation of natural resources; the inefficient use of energy; nuclear pollution; pollution from mining and other natural resources extraction industries; and human encroachment on ecological systems. According to the 1996 national human development report, the combined losses of natural potential from desertification alone could already be comparable to the country's total GNP.

19. As part of its efforts to establish policies and priorities and improve its coordination capacities to address the complex problems listed above, the Government has requested that UNDP be among the main partners in the preparation and implementation of the national Agenda 21. Selective and effective utilization of international experience and a broad participatory approach in programme and project formulation, including the active involvement of local communities, NGOs, the private sector, ministries and other agencies, will help

to make the process sustainable. The Government would like UNDP to play a catalytic role to assist in and facilitate coordination of other donors' activities and to attract more funds from the Global Environment Facility, Montreal Protocol, Capacity 21, as well as resources from other donors. UNDP support will focus on the following areas:

(a) The National Environment Action Programme for Sustainable Development, whereby UNDP will assist the Government in developing policies and programme to mainstream environment concerns in all economic and development activities;

(b) Compliance with international conventions, through assistance in the preparation of strategies, plans and reports and in creating an enabling environment and capacities to implement the Convention on Biological Diversity, the United Nations Convention to Combat Desertification in Those Countries Experiencing Drought and/or Desertification, Particularly in Africa, and the United Nations Framework Convention on Climate Change;

(c) Area-based environmental management programmes, to support actions to address environmental problems in the most affected areas, as well as immediate rehabilitation measures at the local level. In particular, the Government has requested that UNDP continue to support and take a leadership role in the Aral Sea basin programme, including through the UNDP regional project. Semipalatinsk and the Caspian Sea area are other areas where UNDP may assist.

IV. MANAGEMENT ARRANGEMENTS

20. After reviewing past experiences, the Government and UNDP agree that the management and implementation strategy for the first CCF should be based mainly on three operational modalities:

(a) First, use of the programme approach, which will focus UNDP development cooperation on the national development objectives and programmes, enhancing coherence, flexibility and the basis for co-financing;

(b) Second, national execution of projects, which will ensure national ownership of the programme and strengthen the use of national expertise;

(c) Third, broadening of the resource base, including through increased Government and third-party cost-sharing, which will enhance the impact of assistance through larger, more integrated programmes and more effective use of resources.

21. The use of the programme approach will enable both the Government and UNDP to more effectively promote programme initiatives as grouped around three major thematic areas of assistance rather than individual projects. The approach will be complemented by the use of an "umbrella project" modality, which will offer a choice of sub-projects to potential cost-sharing parties.

22. UNDP and government counterpart agencies will take steps to operationalize monitoring, review and evaluation of nationally executed programmes and to ensure financial and substantive accountability. Benchmarks and related success indicators will be established, based on the current situation in each of the major programme areas and the expected impact. Such indicators will be researched as part of the detailed formulation of each programme area, and will be tailored to the expected impact and type of intervention. An annual review of the implementation of the first CCF will be held, with the participation of government counterparts, UNDP and other United Nations agencies.

23. Coordinated resource mobilization will be increasingly instrumental to securing support for high-priority, integrated programmes from a wider spectrum of donors. Together with the Government, UNDP will work on the development of a resource mobilization strategy and the creation of a climate conducive to active cooperation within the donor community. As one measure, increased direct consultations between UNDP and the Government will strengthen coordination in the area. The resource mobilization target table in the annex to the present document provides an estimate of the level of funds available from UNDP core resources and cost-sharing.

24. The Government and UNDP will use every opportunity to utilize most cost-effective modalities in the implementation of the programme. The use of United Nations Volunteer specialists and United Nations Short-Term Advisory Services experts will be expanded. The use of national expertise, which has increased significantly over the last three years, will continue to be given priority and will be expanded further.

25. The expertise of United Nations specialized agencies will continue to be utilized in UNDP project formulation and implementation. Moreover, coordination with other United Nations agencies will be harmonized, through regular consultations and development, as well as through the implementation of a joint country strategy. Under specific initiatives, a participatory approach during programme formulation will be encouraged, to ensure synergy. Taking into consideration the priorities and limitations of other donors, efforts to adjust proposals and implementation modalities to ensure a well-coordinated approach to all programmes will be reinforced.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR KAZAKSTAN (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	825	
TRAC 1.1.1	683	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	-	To be determined. Some funds for disaster preparedness expected.
Other resources	2 294	In line with decision 95/23, paragraph 19.
SPPD/STS	180	
Subtotal	3 982 a/	
NON-CORE FUNDS		
Government cost-sharing	4 000	
Sustainable development funds	-	To be determined. Significant funds expected from GEF and Capacity 21.
Third-party cost-sharing	4 000	
Funds, trust funds and other	-	To be determined.
Subtotal	8 000	
GRAND TOTAL	11 982 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.